

NEW BEGINNINGS SCHOOLS FOUNDATION

FINANCIAL STATEMENTS

For the Year Ended June 30, 2019



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NEW BEGINNINGS SCHOOLS FOUNDATION
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INDEPENDENT AUDITORS' REPORT

Board of Directors
New Beginnings Schools Foundation
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of New Beginnings Schools Foundation (a nonprofit organization) (the Foundation), which comprise the Statement of Financial Position as of June 30, 2019 and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Beginnings Schools Foundation as of June 30, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Foundation's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Foundation will continue as a going concern. As discussed in Note 17 to the financial statements, the Foundation has suffered recurring decreases in net assets and cash flows, and has stated that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters also described in Note 17. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Emphasis of Matters

As discussed in Note 1 to the financial statements, management has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958); this new standard requires changes to be made in how net assets are classified based on donor restrictions and has added multiple new disclosures. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, management has elected to change its policy for recording Student Activity Funds to conform to common practices in the local charter school industry. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the Schedule of Compensation, Benefits, and Other Payments to Agency Head are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The integrated schedules, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2019, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

December 30, 2019

**NEW BEGINNINGS SCHOOLS FOUNDATION
STATEMENT OF FINANCIAL POSITION**

As of June 30,

2019

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 2,112,685
Cash restricted for student activities	92,432
Grant and other receivables	949,112
Prepaid expenses and other assets	55,927
<hr/>	
Total Current Assets	3,210,156
<hr/>	
PROPERTY AND EQUIPMENT, net	9,517
<hr/>	
TOTAL ASSETS	\$ 3,219,673
<hr/> <hr/>	
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 673,436
Accrued liabilities	934,312
Compensated absences	89,563
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Total Current Liabilities	1,697,311
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NET ASSETS	
Without donor restriction	1,429,930
With donor restriction	92,432
<hr/>	
Total Net Assets	1,522,362
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TOTAL LIABILITIES AND NET ASSETS	\$ 3,219,673
<hr/> <hr/>	

The accompanying notes are an integral part of this financial statement.

**NEW BEGINNINGS SCHOOLS FOUNDATION
STATEMENT OF ACTIVITIES**

<i>For the Year Ended June 30, 2019</i>	Without Donor Restriction	With Donor Restriction	Total
REVENUES			
Local sources			
Minimum Foundation Program	\$ 10,006,381	\$ -	\$ 10,006,381
Contributions	1,630	-	1,630
Grants	113,976	-	113,976
Student activity funds	-	438,850	438,850
Other	53,151	-	53,151
State sources:			
Minimum Foundation Program	7,125,726	-	7,125,726
Grants	32,239	-	32,239
Federal grants	4,050,018	-	4,050,018
Releases from restriction	346,418	(346,418)	-
Total Revenues	21,729,539	92,432	21,821,971
EXPENSES			
Program services	17,412,744	-	17,412,744
Support services	5,454,482	-	5,454,482
Total Expenses	22,867,226	-	22,867,226
CHANGE IN NET ASSETS	(1,137,687)	92,432	(1,045,255)
NET ASSETS - Beginning of year	2,567,617	-	2,567,617
NET ASSETS - End of year	\$ 1,429,930	\$ 92,432	\$ 1,522,362

The accompanying notes are an integral part of this financial statement.

**NEW BEGINNINGS SCHOOLS FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES**

<i>For the Year Ended June 30, 2019</i>	Program Expenses	Management and General	Fundraising	Total
Salaries and wages	\$ 8,122,331	\$ 2,691,366	\$ -	\$ 10,813,697
Payroll taxes	167,620	50,351	-	217,971
Employee benefits	2,763,946	665,131	-	3,429,077
Total salaries and related expenses	11,053,897	3,406,848	-	14,460,745
Professional services	449,692	781,463	-	1,231,155
Materials and supplies	834,931	77,832	-	912,763
Student assessments	163,174	-	-	163,174
Repairs and maintenance	-	327,007	-	327,007
Utilities	426,537	13,192	-	439,729
Insurance	429,464	3,082	-	432,546
Transportation	1,634,347	-	-	1,634,347
Security	-	179,958	-	179,958
Food service	1,217,855	-	-	1,217,855
Internet, telephone and postage	65,314	2,020	-	67,334
Rental expense	417,494	10,922	-	428,416
Professional development	-	500,586	-	500,586
Dues and fees	605,360	103,634	-	708,994
Other expenses	114,679	17,174	20,292	152,145
Depreciation	-	5,083	-	5,083
Loss on disposal of assets	-	5,389	-	5,389
Interest	-	-	-	-
Total Expenses	\$ 17,412,744	\$ 5,434,190	\$ 20,292	\$ 22,867,226

The accompanying notes are an integral part of this financial statement.

NEW BEGINNINGS SCHOOLS FOUNDATION
STATEMENT OF CASH FLOWS

For the Year Ended June 30,

2019

CASH FLOW FROM OPERATING ACTIVITIES

Change in net assets	\$ (1,045,255)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	5,083
Loss on disposal of assets	5,389
Changes in operating assets and liabilities:	
Cash restricted for student activities	(29,932)
Grant and other receivables	233,968
Prepaid expenses and other assets	(646)
Accounts payable	(181,557)
Accrued liabilities	(645,122)
Student activity funds	(62,500)
Compensated absences	(39,339)

Net Cash Used In Operating Activities **(1,759,911)**

CASH FLOW FROM FINANCING ACTIVITIES

Principal payments under capital lease	(6,421)
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Net Cash Used In Financing Activities **(6,421)**

NET DECREASE IN CASH AND CASH EQUIVALENTS (1,766,332)

CASH AND CASH EQUIVALENTS - Beginning of year **3,879,017**

CASH AND CASH EQUIVALENTS - End of year \$ 2,112,685

The accompanying notes are an integral part of this financial statement.

NEW BEGINNINGS SCHOOLS FOUNDATION NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The New Beginnings Schools Foundation (the Foundation) was awarded a charter by the Louisiana State Board of Elementary and Secondary Education (BESE) in 2004 to operate a public charter school d/b/a Pierre A. Capdau Charter School (Capdau). Beginning with the 2017-2018 school year, Capdau transitioned to Orleans Parish School Board (OPSB) governance and the charter was renewed for 5 years. On July 19, 2019, the Foundation's Board of Directors voted unanimously to surrender the Capdau Charter at the end of the 2019-2020 school year.

The Foundation was awarded a second charter by BESE for Medard H. Nelson Charter School (Nelson) prior to the start of the 2005-2006 school year. The charter for Nelson was renewed in 2013 for 5 years through the end of the 2018-2019 school year. Beginning with the 2017-2018 school year, Capdau transitioned to Orleans Parish School Board (OPSB) governance. On November 15, 2018, OPSB announced that Nelson would be closed at the end of the 2018-2019 school year. Nelson ceased operations effective June 30, 2019.

The Foundation was awarded its third charter from BESE for Lake Area New Tech Early College High School (Lake Area) prior to the start of the 2009-2010 school year. Beginning with the 2016-2017 school year, Lake Area transitioned to OPSB governance and the charter was renewed for 3 years. On July 19, 2019, the Foundation's Board of Directors voted unanimously to surrender the Lake Area Charter at the end of the 2019-2020 school year.

The Foundation seeks to provide education services according to the educational standards established by law, the charter contracts, and the charter proposals; measures pupil progress toward stated goals; and participates in pupil assessments as required by law, regulation and BESE policy. The Foundation's mission states that the charter schools are a community of learners of which academic achievement and personal growth are expected and are supported in a positive, inclusive, and enriched environment.

During the 2019 school year, the Foundation provided educational services to students in kindergarten through twelfth grades with a total enrollment from all charter schools of approximately 1,677 students. Capdau served 716 students in grades pre-kindergarten through eight, Nelson served 263 students in grades pre-kindergarten through eight, and Lake Area served 698 students in grades nine through twelve.

Basis of Accounting

The Foundation's financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America.

NEW BEGINNINGS SCHOOLS FOUNDATION NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). Under FASB, the Foundation is required to report information regarding its financial position and activities according to two classes of net assets:

- Net Assets Without Donor Restriction – These net assets generally result from revenues generate by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising donations or contributions, and performing administrative functions.
- Net Assets With Donor Restriction – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted. As of June 30, 2019, net assets with donor restriction was \$92,432.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Foundation considers all unrestricted funds and highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

NEW BEGINNINGS SCHOOLS FOUNDATION NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment, net

Property and equipment of the Foundation with a unit cost of \$5,000 or more are capitalized and stated at cost if purchased. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. All property and equipment is depreciated utilizing the straight-line method over the estimated useful life of the asset, generally 3 to 8 years for improvements and other property and equipment.

Donations of property and equipment are recorded as contributions at their estimated fair value at the time of donation. Such donations are reported as contributions without donor restriction unless the donor has restricted the donated asset to a specific use.

Grant Revenue

Revenues from governmental grants are recognized when allowable expenditures are made by the Foundation. Federal grants are on a cost reimbursement basis and accounted for 19% of the Foundation's total revenue for the year ended June 30, 2019.

Grant and Other Receivables

Grant and other receivables are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for allowance for doubtful accounts. Management believes that all receivables are collectible.

Contributions

Donations that are restricted by the donor are reported as increases in revenue without donor restriction if the restrictions expire (that is, a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted donations are reported as increases in revenue with donor restriction, depending on the nature of the restriction.

When a restriction expires, revenues with donor restriction are reclassified to revenues without donor restriction and reported in the Statement of Activities as releases from restriction.

Minimum Foundation Program

The Foundation's primary source of funding is through the Minimum Foundation Program (MFP) funded by the State Public School Fund and the OPSB. MFP revenue accounts for 79% of the Foundation's total revenue for the year ended June 30, 2019.

NEW BEGINNINGS SCHOOLS FOUNDATION NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Foundation is exempt from federal income taxes through Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Uncertain Tax Positions

Accounting principles generally accepted in the United States of America require the Foundation's management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Foundation's management has analyzed the tax positions taken by the Foundation, and has concluded that as of June 30, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Interfund Activities

All interfund transactions, except quasi external transactions, advances and reimbursements are reported as operating transfers. Nonrecurring and permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers and recognized at the time the underlying event occurs. Interfund activities are netted at the financial statements level.

Functional Expense

As required under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958), the Foundation has presented a Statement of Functional Expense as part of its audited financial statements. The financial statements of the Foundation report certain categories of expenses that are attributable to more than one program or supporting function. The majority of expense are allocated based on actual time and effort. However, utilities; internet, telephone, and postage; rental expense; and dues and fees require allocation based on the square footage of the building used by the function.

Student Activity Funds and Change in Accounting Principle

In 2019, management of the Foundation elected to record Student Activity Funds as revenues and expenses, common practice in the local charter industry. Previously, these funds were recorded as assets and liabilities. Management believes that the new method provides for better recognition of revenues, expenses, and net assets with donor restriction as of year-end. The change increased the net assets with donor restriction to \$92,432. There is no cumulative effect on beginning net assets.

NEW BEGINNINGS SCHOOLS FOUNDATION NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

Effective July 1, 2018, the Foundation adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Foundation has adjusted the presentation of its financial statements accordingly. The new standard changes the following aspect of the Foundation's financial statements:

- The temporarily restricted and permanently restricted net assets have been into a single net asset class called net assets with donor restriction.
- The unrestricted net asset class has been renamed net assets without donor restriction
- The financial statements include a new disclosure about liquidity and availability of resources (Note 16).
- The Statement of Functional Expense is allocated by both nature and function (Note 1) and includes enhanced disclosures.

Recent Financial Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU and its amendments will supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry specific guidance. These amendments are effective for the fiscal year ending June 30, 2020. Early adoption with certain restrictions is permitted. The Foundation is currently evaluating the impact of the guidance on its financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 provides guidance on the classification and presentation of changes in restricted cash on the statement of cash flows. The ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts general described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shows on the statement of cash flows. The ASU is effective for fiscal year-ending June 30, 2020, but early adoption is permitted. The Foundation has not elected to early adopt this standard. Management is currently evaluating the impact of the guidance on its financial statements.

NEW BEGINNINGS SCHOOLS FOUNDATION NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Financial Accounting Pronouncements (Continued)

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which the Foundation serves as a resource recipient for the fiscal year ending June 30, 2020. Early adoption is permitted. The Foundation is currently evaluating the impact of the guidance on its financial statements.

A variety of proposed or otherwise potential accounting standards are currently under review and study by standard-setting organizations and certain regulatory agencies. Because of the tentative and preliminary nature of such proposed standards, the Foundation has not yet determined the effect, if any, that the implementation of any such proposed or revised standards would have on its financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

The Foundation maintains non-interest bearing accounts at a local bank. The Federal Deposit Insurance Corporation (FDIC) provided insurance coverage on deposit accounts for deposit amounts up to \$250,000 for the year ended June 30, 2019. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category. Total uninsured cash balances at June 30, 2019 were \$2,113,497. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

NOTE 3 – CASH RESTRICTED FOR STUDENT ACTIVITIES

The Foundation maintains separate bank accounts for student activities. These accounts are collected for various activities from students and parents and restricted for their collected purpose. Should those funds not be used for the intended purpose, the funds may be returned to the students and parents from whom they were collected. Restricted student activity funds totaled for the year ended June 30, 2019 were \$92,432, and were reported as cash restricted for student activities on the Statement of Financial Position.

**NEW BEGINNINGS SCHOOLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – GRANT AND OTHER RECEIVABLES

At June 30, 2019, grant and other receivables are deemed fully collectible by management and consisted of the following:

	2019
Grant Receivables:	
Title I	\$ 468,371
National School Lunch Program	106,878
IDEA Part B	73,508
Striving Readers Comprehensive Literacy	58,003
CSP	48,500
Title IV SSAE	42,353
Direct Student Services	32,963
Title II	24,089
Carl Perkins	21,413
Agenda for Children	19,416
New Schools for New Orleans	16,805
Title III	8,581
Other	9,269
Total Grant Receivables	930,149
Entergy	10,802
Other	8,161
Total Grant and Other Receivables	\$ 949,112

NOTE 5 – PROPERTY AND EQUIPMENT

At June 30, 2019, property and equipment, net consisted of the following:

	2019
Machinery and equipment	\$ 271,433
Building improvements	8,379
Total Property and Equipment	279,812
Less: accumulated depreciation	(270,296)
Property and Equipment, net	\$ 9,517

Depreciation expense was \$5,083 for the year ended June 30, 2019.

NOTE 6 – ACCRUED LIABILITIES

The Foundation accrues a liability for the portion of school employees' salaries that is withheld during the school year and distributed during the summer months (summer spread liability). The balance of the summer spread liability was \$317,114 at June 30, 2019 and is included in accrued liabilities on the Statement of Financial Position.

NEW BEGINNINGS SCHOOLS FOUNDATION NOTES TO FINANCIAL STATEMENTS

NOTE 6 – ACCRUED LIABILITIES (CONTINUED)

At June 30, 2019, \$396,107 of TRSL and LSERS contributions (see Note 11) were included in accrued liabilities on the Statement of Financial Position.

At June 30, 2019, usage fees of \$173,982 due to OPSB (see Note 9) were included in accrued liabilities on the Statement of Financial Position.

NOTE 7 – COMPENSATED ABSENCES

Substantially all twelve-month employees accrue 15 days of vacation time per year and are allowed to accumulate vacation time up to a maximum of 300 hours. Earned and unused vacation time is paid out to the employees at their derived hourly rate of pay at the time of termination. The Foundation has accrued \$89,563 of unpaid leave as of June 30, 2019.

NOTE 8 – LEASE COMMITMENTS

Capdau Lease Agreement

Effective for the 2017-2018 school year, Capdau was relocated to a newly constructed facility and the Foundation, as sublessee, entered into a sublease agreement for the new facility with Alexander School Facility LLC, the lessor, which commenced on July 1, 2017. The sublease will remain in effect until the earlier of (1) the five-year anniversary of the Rent Commencement Date or (2) the last day of the term of the Foundation's Charter School Contract (inclusive of any renewals), unless either party provides written notice of its intent to terminate. Base rent under the sublease agreement is \$22,965 per month, increasing by one and a half percent (1.5%) on July 1, 2018 and on July 1 each year thereafter during the sublease term. GAAP requires that the lease expense be reported on the straight-line basis, however this method does not materially affect the financial statements and is not adjusted. For the year ended June 30, 2019, rent expense was \$279,700. The lease agreement will terminate on June 30, 2020 due to the surrender of the Capdau Charter (Note 1). For the year ended June 30, 2020, future minimum lease payments are \$283,920.

Other Operating Leases

The Foundation also leases computer equipment under non-cancellable operating leases expiring at various times through January 31, 2020. Monthly lease payments for these leases total approximately \$2,087.

The future minimum lease payments under the Foundation's non-cancellable operating leases total \$13,230 for the year ended June 30, 2020.

NEW BEGINNINGS SCHOOLS FOUNDATION NOTES TO FINANCIAL STATEMENTS

NOTE 9 – SCHOOL OPERATION/LEASEHOLD INTEREST

Medard H. Nelson Charter School Facilities

Effective July 1, 2017, the Foundation signed a lease agreement with OPSB which allows the Foundation to use the facilities and contents located at 2045 Lakeshore Drive, New Orleans, LA 70122, or any other locations that may be approved by the Foundation and OPSB. This agreement expired on June 30, 2019. For the use of the facilities, the Foundation reimburses property insurance costs to OPSB. The Foundation had paid \$73,005 for the year ended June 30, 2019 in property insurance reimbursement costs.

The Foundation is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations, and rules. The Foundation's maintenance obligation has a cap of \$10,000. If capital improvements are made by the Foundation with non-public funds to any site which it operates, and the charter contract is revoked or terminated, the Foundation will be reimbursed for the fair market value of such capital improvements. Assets purchased with public funds or obtained from public sources will automatically revert to the OPSB at the time the agreement is terminated. The Foundation must maintain records of any assets acquired with private funds that will remain the property of the Foundation.

In consideration of the use of the property, a use fee is calculated as a per pupil share of the actual costs of property, boiler and machinery, terrorism, disaster management, and flood insurance of all OPSB-controlled school facilities, including any insurance brokerage fee, unrelated to recovery of the capital costs or depreciation that would be recovered in a traditional lease relationship. The use fee is calculated and invoiced annually and paid by the Foundation in equal installments over a 12-month fiscal year, through deduction from Nelson's monthly MFP allocation, commencing on July 1, 2017. The use fee may be adjusted annually based on the increase or decrease in the actual cost of property, boiler and machinery, terrorism, disaster management, and flood insurance, or the number of students enrolled, thus future rental amounts are not readily determinable. For the year ended June 30, 2019, usage fee paid to OPSB was \$35,882 and is included in property insurance on the Statement of Functional Expense.

Lake Area New Tech Charter School Facilities

Effective July 1, 2017, the Foundation signed a lease agreement with OPSB which allows the Foundation to use the facilities and contents located at 6026 Paris Ave., New Orleans, LA 70122, or any other locations that may be approved by the Foundation and OPSB. This agreement expired on June 30, 2019 and was subsequently renewed for one year. For the use of the facilities, the Foundation reimburses property insurance costs to OPSB. The Foundation had paid \$95,432 for the year ended June 30, 2019 in property insurance reimbursement costs.

NEW BEGINNINGS SCHOOLS FOUNDATION NOTES TO FINANCIAL STATEMENTS

NOTE 9 – SCHOOL OPERATION/LEASEHOLD INTEREST (CONTINUED)

Lake Area New Tech Charter School Facilities (Continued)

The Foundation is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations, and rules. The Foundation's maintenance obligation has a cap of \$10,000. If capital improvements are made by the Foundation with non-public funds to any site which it operates, and the charter contract is revoked or terminated, the Foundation will be reimbursed for the fair market value of such capital improvements. Assets purchased with public funds or obtained from public sources will automatically revert to the OPSB at the time the agreement is terminated. The Foundation must maintain records of any assets acquired with private funds that will remain the property of the Foundation.

In consideration of the use of the property, a use fee is calculated as a per pupil share of the actual costs of property, boiler and machinery, terrorism, disaster management, and flood insurance of all OPSB-controlled school facilities, including any insurance brokerage fee, unrelated to recovery of the capital costs or depreciation that would be recovered in a traditional lease relationship. The use fee is calculated and invoiced annually and paid by the Foundation in equal installments over a 12-month fiscal year, through deduction from Nelson's monthly MFP allocation, commencing on July 1, 2017. The use fee may be adjusted annually based on the increase or decrease in the actual cost of property, boiler and machinery, terrorism, disaster management, and flood insurance, or the number of students enrolled, thus future rental amounts are not readily determinable. For the year ended June 30, 2019, usage fee paid to OPSB was \$128,737 and is included in property insurance on the Statement of Functional Expense.

NOTE 10 – IN-KIND CONTRIBUTIONS

The Foundation receives donated services from a number of unpaid volunteers assisting the Foundation with its programs, activities, and operations. An estimated value of these services cannot be reasonably determined as a result of the variety of services provided by the varying qualifications of the volunteers. As such, donated services have not been recorded in the financial statements.

NOTE 11 – RETIREMENT SYSTEMS

Substantially all employees of the Foundation are members of the Teacher's Retirement System of Louisiana (TRSL). During the year ended June 30, 2019, the Foundation had 1 employee participating in the Louisiana State Employees' Retirement System (LASERS) and eleven employees participating in the Louisiana School Employees' Retirement system (LSERS). These systems are cost sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows.

**NEW BEGINNINGS SCHOOLS FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 – RETIREMENT SYSTEMS (CONTINUED)

A. Teachers' Retirement System of Louisiana (TRSL)

TRSL provides retirement benefits as well as disability and survivor benefits. Ten years of service credit are required to become vested for retirement benefits, five years of service credit if the employee reaches age sixty, and five years to become vested for disability and survivor benefits. Benefits are established and amended by state statute. Upon retirement, participants may select from eight retirement payment options.

TRSL issues publicly-available financial reports that include financial statements and required supplementary information of TRSL. These financial reports may be obtained by writing the Teachers' Retirement System of Louisiana, P.O. Box 94123. Baton Rouge. LA 70804-9123.

Participants are required to contribute to the plan 8% of their annual covered payroll and the Foundation is required to contribute 26.6% of the annual covered payroll of each participating employee. Member contributions and employer contributions are established by law and set by the Public Retirement System's Actuarial Committee.

For the year ended June 30, 2019, the Foundation's contributions to TRSL totaled \$2,654,833. At June 30, 2019, \$386,507 were included in accrued liabilities on the Statement of Financial Position.

B. Louisiana State Employees' Retirement System (LASERS)

The LASERS system provides retirement benefits as well as disability and survivor benefits. Five years of service credit is required to become vested for retirement benefits, ten years to become vested for disability and twenty years actively employed for survivor benefits. Benefits are established and amended by state statute. The LASERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana or by calling (225) 922-0185.

Plan members are required to contribute 7.5% of their annual covered salary and the Foundation is required to contribute 37.9% of the annual covered payroll of each participating employee. Member contributions and employer contributions are established by state law and set by the Public Retirement Systems' Actuarial Committee.

For the year ended June 30, 2019, the Foundation's contributions to LASERS totaled \$7,356. At June 30, 2019, there were no accrued liabilities related to LASERS.

NEW BEGINNINGS SCHOOLS FOUNDATION NOTES TO FINANCIAL STATEMENTS

NOTE 11 – RETIREMENT SYSTEMS (CONTINUED)

C. Louisiana School Employees' Retirement System (LSERS)

The LSERS system membership is comprised on non-instructional personnel of the Louisiana public school system. This includes janitors, bus drivers, custodians and maintenance employees. LSERS provides retirement benefits as well as disability and survivor benefits. Five years of service credit is required to become vested for retirement benefits and ten years to become vested for disability benefits. Benefits are established and amended by state statute. The LSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Louisiana School Employees' Retirement System, Post Office Box 44516, Baton Rouge, Louisiana or by calling (225) 925-6484.

Plan members are required to contribute 8% of their annual covered salary and the Foundation is required to contribute 28% of the annual covered payroll of each participating employee. Member contributions and employer contributions are established by state law and set by the Public Retirement Systems' Actuarial Committee.

For the year ended June 30, 2019, the Foundation's contributions to this plan totaled \$79,136. At June 30, 2019, \$8,417 were included in accrued liabilities on the Statement of Financial Position.

NOTE 12 - DEFINED CONTRIBUTION PLAN

The Foundation offers a voluntary 403(b) defined contribution plan to all eligible employees. Full-time employees are eligible to participate in the elective deferral plan on the first day after 30 days of employment. The plan is funded solely by employee contributions.

NOTE 13 - RISK MANAGEMENT

The Foundation is exposed to various risks of loss related to torts, theft of, damage to and destruction of property for which the Foundation carries commercial liability insurance coverage. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 14 – COMMITMENTS

The Foundation has offer letters with most of its employees. The offer letters for the current year expired June 30, 2019. The offer letters for the subsequent year were signed in August 2019 and expire June 30, 2020. All offer letters provide for a minimum annual salary and other benefits.

NEW BEGINNINGS SCHOOLS FOUNDATION NOTES TO FINANCIAL STATEMENTS

NOTE 15 - CONTINGENCY

The Foundation is contingent upon legislative appropriation or allocation of funds necessary to fulfill the requirements of the charter contract with OPSB. On July 19, 2019, the Foundation's Board of Directors voted unanimously to surrender the Capdau Charter and Lake Area New Tech Charter School the end of the 2019-2020 school year.

NOTE 16 – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Foundation has \$3,154,229 of financial assets available within one year of the statement of financial position date consisting of cash of \$2,205,117 and other receivables of \$18,963. Only Student Activity Funds are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the Statement of Financial Position date. The Foundation has a goal to maintain financial assets, consisting of cash on hand, to meet 30 days of operating expenses. Management estimates 30 days of operating expenses to be \$2,026,000 and believes it has appropriate available financial resources as of June 30, 2019.

NOTE 17 – GOING CONCERN

On July 19, 2019, the board of directors passed a resolution surrendering the charter of Capdau and Lake Area to OPSB as of June 30, 2020. The Foundation adopted the transition framework as approved by the board of directors and communicated to OPSB in which the Foundation will transfer a majority of its financial assets, net of transition expenses and unrestricted private donations, to the OPSB beginning June 30, 2020.

As shown in the accompanying financial statements, the entity has had a loss of \$1,045,255 during the year. The transition framework will require the Foundation except those necessary to pay expenses to OPSB. These factors have created an uncertainty about the Foundation's ability to continue as a going concern.

The schools will be operated by different charter management organizations effective June 30, 2020. The completion of the transfer of assets is to occur following the payment of all final expenses related to the schools. The financial statements do not include any adjustments that might be necessary if the Foundation is unable to continue as a going concern.

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 30, 2019 and determined that, other than the events in Note 1, Note 8, Note 9, Note 14, and Note 15, no material events occurred that require disclosure. No subsequent events occurring after that date have been evaluated for inclusion of these financial statements.

**NEW BEGINNINGS SCHOOLS FOUNDATION
INTEGRATED STATEMENT OF FINANCIAL POSITION**

<i>As of June 30, 2019</i>	Pierre A. Capdau Charter School	Medard H. Nelson Charter School	Lake Area New Tech Charter School	Charter School Network Office	Eliminations	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 3,548,528	\$ -	\$ 729,214	\$ (2,165,057)	\$ -	\$ 2,112,685
Cash restricted for student activities	21,032	-	71,400	-	-	92,432
Grant and other receivables	660,864	-	280,510	7,738	-	949,112
Due from other funds	1,471,555	-	(3,518)	2,099,065	(3,567,102)	-
Prepaid expenses and other assets	3,933	-	47,622	4,372	-	55,927
Total Current Assets	5,705,912	-	1,125,228	(53,882)	(3,567,102)	3,210,156
PROPERTY AND EQUIPMENT, net	360	-	9,157	-	-	9,517
TOTAL ASSETS	\$ 5,706,272	\$ -	\$ 1,134,385	\$ (53,882)	\$ (3,567,102)	\$ 3,219,673
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	\$ 322,682	\$ -	\$ 149,600	\$ 201,154	\$ -	\$ 673,436
Accrued liabilities	509,299	-	371,678	53,335	-	934,312
Student activity funds	-	-	-	-	-	-
Due to other funds	2,829,496	-	733,521	4,085	(3,567,102)	-
Compensated absences	50,553	-	7,071	31,939	-	89,563
Total Current Liabilities	3,712,030	-	1,261,870	290,513	(3,567,102)	1,697,311
NET ASSETS						
Without donor restriction	1,973,210	-	(198,885)	(344,395)	-	1,429,930
With donor restriction	21,032	-	71,400	-	-	92,432
Total Net Assets	1,994,242	-	(127,485)	(344,395)	-	1,522,362
TOTAL LIABILITIES AND NET ASSETS	\$ 5,706,272	\$ -	\$ 1,134,385	\$ (53,882)	\$ (3,567,102)	\$ 3,219,673

See Independent Auditors' Report.

**NEW BEGINNINGS SCHOOLS FOUNDATION
INTEGRATED STATEMENT OF ACTIVITIES**

<i>For the Year Ended June 30, 2019</i>	Pierre A. Capdau Charter School	Medard H. Nelson Charter School	Lake Area New Tech Charter School	Charter School Network Office	Eliminations	Total
REVENUES						
Local sources						
Minimum Foundation Program	\$ 4,644,894	\$ 1,475,816	\$ 3,885,671	\$ -	\$ -	\$ 10,006,381
Contributions	-	-	-	1,630	-	1,630
Grants	37,904	33,804	37,268	5,000	-	113,976
Indirect cost revenue	-	-	-	89,101	(89,101)	-
Student activity funds	98,877	76,040	263,933	-	-	438,850
Other	1,511	5,000	12,332	34,308	-	53,151
State sources:						
Minimum Foundation Program	2,955,761	1,024,645	3,145,320	-	-	7,125,726
Grants	18,193	-	14,046	-	-	32,239
Federal grants	1,753,561	1,008,847	1,287,610	-	-	4,050,018
Total Revenues	9,510,701	3,624,152	8,646,180	130,039	(89,101)	21,821,971

(Continued)

See Independent Auditors' Report.

**NEW BEGINNINGS SCHOOLS FOUNDATION
INTEGRATED STATEMENT OF ACTIVITIES**

<i>For the Year Ended June 30, 2019</i>	Pierre A. Capdau Charter School	Medard H. Nelson Charter School	Lake Area New Tech Charter School	Charter School Network Office	Eliminations	Total
EXPENSES						
Program services	7,494,817	3,295,672	6,581,748	40,508	-	17,412,744
Support services	1,331,284	774,484	1,284,606	2,153,208	(89,101)	5,454,482
Operating transfers (in) out	443,761	714,742	670,937	(1,829,440)	-	-
Total Expenses	9,269,862	4,784,898	8,537,291	364,276	(89,101)	22,867,226
CHANGE IN NET ASSETS	240,839	(1,160,746)	108,889	(234,237)	-	(1,045,255)
NET ASSETS - Beginning of year	1,753,403	1,160,746	(236,374)	(110,158)	-	2,567,617
NET ASSETS - End of year	\$ 1,994,242	\$ -	\$ (127,485)	\$ (344,395)	\$ -	\$ 1,522,362

See Independent Auditors' Report.

**NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2019**

Agency Head Name: Michelle Blouin-Williams, CEO (July 1, 2018-May 7, 2019)

PURPOSE	AMOUNT
Salary	\$ 161,198
Benefits-health insurance	881
Benefits-retirement	39,829
Deferred compensation	-
Workers comp	-
Benefits-life insurance	317
Benefits-long term disability	722
Benefits-FICA and Medicare	2,475
Car allowance	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	849
Registration fees	-
Conference travel	-
Unvouchered expenses	-
Meetings and conventions	-
Other	-
Total	\$ 206,271

See Independent Auditors' Report.

**NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2019**

Agency Head Name: Raphael Gang, Board President (May 7, 2019-June 30, 2019)

PURPOSE	AMOUNT
Salary	\$ -
Benefits-health insurance	-
Benefits-retirement	-
Deferred compensation	-
Workers comp	-
Benefits-life insurance	-
Benefits-long term disability	-
Benefits-FICA and Medicare	-
Car allowance	-
Vehicle provided by government	-
Cell phone	-
Dues	-
Vehicle rental	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Unvouchered expenses	-
Meetings and conventions	-
Other	-
Total	\$ -

See Independent Auditors' Report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
New Beginnings Schools Foundation
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of New Beginnings Schools Foundation (a nonprofit organization) (the Foundation), which comprise the Statement of Financial Position as of June 30, 2019 and the related Statements of Activities, Functional Expense and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundations financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2019-003.

Foundation's Response to Findings

The Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Caru, Riggs & Ingram, L.L.C.

December 30, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
New Beginnings School Foundation
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited New Beginnings Schools Foundation's (the Foundation) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Foundation's major federal programs for the year ended June 30, 2019. The Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-002 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Foundation's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Foundation's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

December 30, 2019

**NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Amount Passed through to Sub- recipient	Total Federal Expenditures
U.S. Department of Education					
<i>Passed-through LA Dept of Education</i>					
Title I Grants to Local Educational Agencies	84.010A		\$ 1,453,346	\$ -	\$ 1,453,346
Special Education Grants to States	84.027A		572,723	-	572,723
Striving Readers Comprehensive Literacy Program Grant	84.371C		177,508	-	177,508
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367A		101,055	-	101,055
Student Support and Academic Enrichment Program	84.424		42,353	-	42,353
English Language Acquisition State Grants	84.365A		8,581	-	8,581
<i>Passed-through LA Dept of Education/Research and Development Cluster</i>					
Preschool Development Grants	84.419B		57,198	-	57,198
<i>Passed-through KIPP New Orleans, Inc.</i>					
Charter Schools Program	84.282		48,500	-	48,500
<i>Passed-through New Orleans Business Alliance</i>					
Career and Technical Education - Basic Grants to States	84.048		15,240	-	15,240
Total U.S. Department of Education			2,476,504	-	2,476,504
U.S. Department of Agriculture					
<i>Passed-through LA Dept of Education</i>					
National School Lunch Program	10.555		1,325,226	-	1,325,226
Fresh Fruit and Vegetable Program	10.582		65,088	-	65,088
Total U.S. Department of Agriculture			1,390,314	-	1,390,314
U.S. Department of Health and Human Services					
<i>Passed-through LA Dept of Education/TANF Cluster</i>					
Temporary Assistance for Needy Families	93.558B		183,200	-	183,200
Total U.S. Department of Health and Human Services			183,200	-	183,200
Total Federal Assistance			\$ 4,050,018	\$ -	\$ 4,050,018

See Independent Auditors' Report and Accompanying Notes to the Schedule of Expenditures of Federal Awards.

**NEW BEGINNINGS SCHOOLS FOUNDATION
NOTES TO THE SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the revenues from federal awards of the Foundation as defined in Note 1 to the Foundation's basic financial statements. All federal awards were received directly from Federal agencies.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Foundation and is presented on the accrual basis of accounting. The Foundation elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal awards revenues are reported in the Foundation's basic financial statements as program revenues.

NOTE 4 – LOAN

The Foundation did not expend federal awards related to loans or loan guarantees during the year.

NOTE 5 – FEDERALLY FUNDED INSURANCE

The Foundation has no federally funded insurance.

NOTE 6 – NONCASH ASSISTANCE

The Foundation did not receive any federal noncash assistance for the fiscal year ended June 30, 2019.

**NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | One noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | One noted |

Federal Awards

- | | |
|---|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over compliance: | |
| a. Material weaknesses identified? | One noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Any audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a)? | None noted |

4. Identification of the major programs:

Name of Federal Award (or Cluster)	CFDA No.
Title I Grants to Local Educational Agencies	84.010A
Special Education Grants to the States	84.027A

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee? | No |

**NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

II – FINDINGS RELATED TO FINANCIAL STATEMENTS COMPLIANCE

2019-001 – Material Weakness – Financial Close and Reporting Process (Originated in 2018)

Criteria:	The Foundation’s management is responsible for designing, implementing, and maintaining proper internal control processes to ensure the accuracy and completeness of financial statements.
Condition:	During the year ended June 30, 2019, multiple misstatements were identified and required adjustments to the financial statements.
Effect:	As of June 30, 2019, liabilities were understated by \$119,117. For the year ended June 30, 2019, revenues were overstated by \$50,000 and expenses were understated by \$62,623.
Cause:	The Foundation had a high turnover of management personnel near year-end, including the CFO. Internal controls have not been designed and implemented to ensure proper classification, recording, and review of all financial statement activity.
Auditor’s Recommendation:	We recommend the Foundation design and implement internal controls necessary to ensure proper classification, recording, and review of all financial statement activity.
Management’s Response:	See corrective action plan on page 38.

2019-003 – Compliance Finding – System for Appropriate Student Admission Decisions

Criteria:	The Foundation’s management is responsible for designing, implementing, and maintaining proper system for appropriate admission decisions and the requirements are applied on a consistent basis (LA R.S. 17:3991(B)(3)) and that all students reside within the jurisdiction of the schools (LA R.S. 17:3991(C)(1)(a)).
Condition:	During the year ended June 30, 2019, multiple student files did not contain the appropriate information to support that a proper system was in place for admission decisions and that the student resided within the jurisdiction of the schools or provide the proper waiver.

**NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

- Effect:** This error could mean that the school could potentially have to repay the local Minimum Foundation Program Funds if the school did not have proper documentation of admission requirements being met, the student resided within the jurisdiction of the school or could provide the proper waiver.
- Cause:** The Foundation had a high turnover of management personnel near year-end, including the CFO. Procedures have not been designed and implemented to ensure proper review of student admissions and residential jurisdiction.
- Auditor’s Recommendation:** We recommend the Foundation design and implement procedures necessary to ensure that system for proper admission decisions are applied on a consistent basis and that residential jurisdiction of the student is determined prior to admission and proper documentation is retained.
- Management’s Response:** See corrective action plan on page 38.

III – FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

2019-002 – Material Weakness – Level of Effort, Reporting, Special Tests, Suspension and Debarment – Documentation of Controls

Title and CFDA Number of Federal Program: CFDA 84.010 Title I – Grants to Local Educational Agencies and CFDA 84.027A – Special Education Grants to States

Federal Award Identification Number and Year: S010A180018 / 2019 and H027A180033 / 2019

Name of Federal Agency: Department of Education

Pass-through Agency: Louisiana Department of Education

Questioned Costs: No questioned costs noted.

Criteria: According to 2 CFR section 200.303, the Foundation is required to “establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Foundation is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

**NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Condition:	The Foundation did not maintain sufficient documentation to demonstrate compliance with 2 CFR section 200.303.
Effect:	The Foundation was not able to provide documentation to support review of the level of effort calculation, review of reimbursement requests, review of suspension and debarment of vendors, and board approval of the testing security assessment policies.
Cause:	Lack of documentation of controls may indicate poor effectiveness of the controls, which could impact compliance over Federal awards.
Auditors' Recommendation:	The Foundation should maintain sufficient documentation in order to demonstrate compliance with 2 CFR section 200.303.
Management's Response:	See corrective action plan on page 38.

IV – OTHER MATTERS

A management letter was issued for the year ended June 30, 2019.

**NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

II – FINDINGS RELATED TO FINANCIAL STATEMENTS COMPLIANCE

2018-01 – Significant Deficiency – Submission of Audit Report

Finding: The Foundation’s 2018 year-end financial close and reporting process was not completed until January 2019-more than 6 months after the June 30, 2018 year-end. As a result of the delays in the financial close, the June 30, 2018 audited financial statements were not submitted to the Louisiana Legislative Auditor by the statutory due date of January 2, 2019.

Management Response: We agree with the auditors’ comments and we have already implemented a number of initiatives to avoid any late submissions in the future.

The delay in closing financial records for the prior year occurred mainly due to an unexpected exit of top financial leadership without time for the transfer of institutional and historical knowledge. In immediate response we engaged the services of external financial consultants, appointed an Interim Chief Financial officer and hired an additional staff accountant. This new team promptly created a Standard Operating Procedures (SOP) for:

1. the monthly financial close and
2. the annual financial close.

These SOPs will support the timely completion of financial closes and financial reporting going forward.

Additionally, executive management and board governance will continually monitor operation, policies and procedures to ensure their effectiveness and efficiency. Specifically, the Finance Committee will review the progress on strengthening financial processes on a monthly basis.

Status: Resolved.

2018-02 – Material Weakness – Financial Close and Reporting Process

Finding: Material misstatements were detected during the course of the audit requiring audit adjustments to fairly state the financial statements. The following material misstatements were detected:

- Cash was understated by \$196,412
- Accounts receivable were overstated by \$149,471
- Prepaid expenses were overstated by \$131,924
- Fixed assets were overstated by \$158,563
- Summer spread liabilities and corresponding salaries expense were understated by \$399,013
- TRSL liabilities and retirement expense were understated by \$334,996

**NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

- Other operating expenses were understated by \$281,409

Management Response: Management has documented and implemented a financial close calendar which is already being utilized to provide regular analysis and correction of all general ledger accounts on a monthly basis with time allotted for review and discussion with executive management, Board Finance Committee, and full board on a regular basis.

The process includes built-in error checking steps that utilize the expertise of our third party financial consultant and regular review with management and board members. Additionally, executive management and board governance will continually monitor operations, policies, and procedures to ensure their effectiveness and efficiency. Specifically, the Finance Committee will review the progress on strengthening financial processes on a monthly basis.

Status: See 2019-001.

2018-03 – Material Weakness – Reconciliation of Payroll Records

Finding: In performing a reconciliation of payroll records to salaries expense, we noted an unreconciled difference between the payroll records and salaries per the general ledger of approximately \$327,000. The difference was due to retirement contributions and health insurance postings that were misclassified as salaries expense. In addition, we noted that management was unable to fully reconcile salaries expense to the quarterly 941 forms.

Management Response: Procedures have been implemented to review and reconcile payroll system input documents on a monthly basis. In addition, we have implemented a procedure to perform a quarterly reconciliation of salaries to the Form 941.

Status: Resolved.

III – FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

None noted.



December 30, 2019

Corrective Action Plan

New Beginnings School Foundation respectfully submits the following corrective action plan for the year ended June 30, 2019.

Name and address of independent public accounting firm:

Carr, Riggs & Ingram, LLC
111 Veterans Blvd
Suite350
Metairie, LA 70005

Audit Period:

Fiscal Year July 1, 2018 through June 30, 2019

The finding from the Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the Schedule of Findings and Questioned Costs.

2019-001 – Material Weakness – Financial Close and Reporting Process (Originated in 2018)

Auditor’s Recommendation: We recommend the Foundation design and implement internal controls necessary to ensure proper classification, recording, and review of all financial statement activity.

Management response: New Beginnings Schools Foundation experienced turnover in its Chief Financial Officer role at the end of the 6/30/2018 and 6/30/2019 fiscal years. The Foundation has since hired an external accounting services firm to serve as the school’s Chief Financial Officer, as well restructured its internal finance team, in order to ensure proper internal controls are followed and financial statement activity is properly recorded and reviewed.

Responsible Party: Kevin George, CEO

Estimated Completion Date: January 02, 2020

2019-002 – Material Weakness – Level of Effort, Reporting, Special Tests, Suspension and Debarment – Documentation of Controls

Auditor’s Recommendation: The Foundation should maintain sufficient documentation in order to demonstrate compliance with 2 CFR section 200.303.

In accordance with the Americans with Disabilities Act, if you need special assistance at a public meeting of the New Beginnings Schools Foundation Board, please contact the NBSF Network Office at 504-827-1930, or by email at ceo@newbeginningsnola.net, describing the assistance that is necessary.

Management response: The Foundation had a grants manager that maintained documentation of the grants compliance process. However, the documentation of review and approval was not readily accessible or available. The Foundation has implemented processes to ensure that proper documentation of review and approval is maintained for each step required for grants compliance.

Responsible Party: Kevin George, CEO

Estimated Completion Date: January 02, 2020

2019-003 – Compliance Finding – System for Appropriate Student Admission Decisions

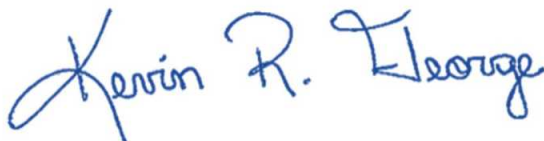
Auditor’s Recommendation: We recommend the Foundation design and implement procedures necessary to ensure that system for proper admission decisions are applied on a consistent basis and that residential jurisdiction of the student is determined prior to admission and proper documentation is retained.

Management response: Even though NBSF receives new students from the OneAPP system, NBSF will ensure that students and/or their guardians submit appropriate documents verifying that they are a resident of Orleans Parish prior to formally enrolling students. During the registration process, parents will be given a letter listing their domiciliary requirements (lease, homeowner information or utility bill and a timeframe to produce those items.

Responsible Party: Kevin R. George, CEO

Estimated Completion Date: January 15, 2020

Sincerely,



Kevin George
Chief Executive Officer

NEW BEGINNINGS SCHOOLS FOUNDATION

BESE AGREED-UPON PROCEDURES REPORT

FOR THE YEAR ENDED JUNE 30, 2019



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRlcpa.com



Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, Louisiana 70005

(504) 833-2436
(504) 484-0807 (fax)
www.CRIcpa.com

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors,
the Louisiana Department of Education,
and the Louisiana Legislative Auditor of
New Beginnings Schools Foundation
New Orleans, Louisiana

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of New Beginnings Schools Foundation (a nonprofit organization) (the Foundation), the Louisiana Department of Education, and the Louisiana Legislative Auditor (the specified parties), on the performance and statistical data accompanying the annual financial statements of the Foundation for the fiscal year ended June 30, 2019; and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE) Bulletin, in compliance with Louisiana Revised Statute 24:514 I. Management of the Foundation is responsible for its performance and statistical data. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and results are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We will select a random sample of 25 transactions, review supporting documentation and observe that the sampled expenditures/revenues are classified correctly and are reported in the proper amounts among the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures,
 - Total General Fund Equipment Expenditures,
 - Total Local Taxation Revenue,
 - Total Local Earnings on Investment in Real Property,
 - Total State Revenue in Lieu of Taxes,
 - Nonpublic Textbook Revenue, and
 - Nonpublic Transportation Revenue.

Results: No exceptions noted in performing this procedure.

Class Size Characteristics (Schedule 2)

2. We will obtain a list of classes by school, school type, and class size as reported on the schedule. We will then trace a sample of 10 classes to the October 1st roll books for those classes and observe that the class was properly classified on the schedule.

Results: We were unable to obtain a detail of the classes for Medard H. Nelson school, therefore, we were unable to reconcile to the overall Class Size Characteristics report. Ten (10) out of ten (10) classes selected did not tie to the October 1st roll book. Seven (7) out of ten (10) classes were not properly classified on the schedule. In addition, we noted one (1) elementary and eleven (11) high school classes that exceeded the maximum class size.

Education Levels/Experience of Public School Staff (NO SCHEDULE)

3. We will obtain October 1st PEP data submitted to the Department of Education (or equivalent listing prepared by management), including full-time teachers, principals, and assistant principals by classification, as well as their level of education and experience, and obtain management's representation that the data/listing was complete. We will then select a sample of 25 individuals, trace to each individual's personnel file, and observe that each individual's education level and experience was property classified on the PEP data or equivalent listing prepared by management.

Results: Two (2) out of twenty-five (25) individuals' education level on the October 1st PEP data did not match the individuals' personnel file. Seventeen (17) out of twenty-five (25) individuals' experience on the October 1st PEP data did not match the individuals' personnel file.

Public School Staff Data: Average Salaries (NO SCHEDULE)

4. We will obtain June 30th PEP data submitted to the Department of Education (or equivalent listing provided by management) of all classroom teachers, including base salary, extra compensation, and ROTC or rehired retiree status, as well as full-time equivalents, and obtain management's representation that the data/listing is complete. We will then select a sample of 25 individuals, trace to each individual's personnel file, and observe that each individual's salary, extra compensation, and full-time equivalents were properly included on the PEP data (or equivalent listing prepared by management).

Results: Twenty-five (25) of the twenty-five (25) individuals' salary per the June 30th PEP data was different from the information in the individuals' personnel file.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the performance and statistical data. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on the performance and statistical data accompanying the annual financial statements of New Beginnings Schools Foundation, as required by Louisiana Revised Statute 24:514 I, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Cam, Riggs & Ingram, L.L.C.

December 30, 2019

**NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULE 1**

**GENERAL FUND INSTRUCTIONAL AND SUPPORT EXPENDITURES AND
CERTAIN LOCAL REVENUE SOURCES
FOR THE YEAR ENDED JUNE 30, 2019**

General Fund Instructional and Equipment Expenditures

General fund instructional expenditures:

Teacher and student interaction activities:

Classroom teacher salaries	\$ 4,075,960	
Other instructional staff activities	-	
Instructional Staff Employee benefits	1,578,841	
Purchased professional and technical services	83,090	
Instructional materials and supplies	463,318	
Less instructional equipment	-	
Total teacher and student interaction activities		6,201,209

Other instructional activities	-	-
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Pupil support activities	1,354,669	
Less equipment for pupil support activities	-	
Net pupil support activities		1,354,669

Instructional Staff Services	984,472	
Less equipment for instructional staff services	-	
Net instructional staff services		984,472

School Administration	1,362,806	
Less: Equipment for School Administration	-	
Net School Administration		1,362,806

Total general fund instructional expenditures		\$ 9,903,156
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* The remaining sections of schedule 1 are not applicable to the Foundation.

See independent accountants' report on applying agreed-upon procedures.

**NEW BEGINNINGS SCHOOLS FOUNDATION
SCHEDULE 2**

**CLASS SIZE CHARACTERISTICS
AS OF OCTOBER 1, 2018**

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	38%	86	57%	130	5%	11	0%	1
Elementary Activity Classes	67%	2	33%	1	0%	0	0%	0
Middle/Jr. High	-	-	-	-	-	-	-	-
Middle/Jr. High Activity Classes	-	-	-	-	-	-	-	-
High	23%	35	30%	44	40%	59	7%	11
High Activity Classes	34%	10	14%	4	38%	11	14%	4
Combination	-	-	-	-	-	-	-	-
Combination Activity Classes	-	-	-	-	-	-	-	-

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students. These limits do not apply to activity classes such as physical education, chorus, band, and other classes without maximum enrollment standards. Therefore, these classes are included only as separate line items.



NBSF NOLA

NEW BEGINNINGS SCHOOLS FOUNDATION

December 30, 2019

Louisiana Legislative Auditor
1600 North 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

And

Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, LA 70005

RE: Management's Response to
Board of Elementary and Secondary Education Agreed-Upon Procedures
New Beginnings Schools Foundation

Dear Sirs:

New Beginnings Schools Foundation will review its policies and procedures in regard to the comments for each schedule of performance and statistical data and make appropriate changes that will improve reporting on each schedule of performance and statistical data that are cost effective and within our budget constraints.

Sincerely,

Kevin George
Chief Executive Officer

NEW BEGINNINGS SCHOOLS FOUNDATION

STATEWIDE AGREED-UPON PROCEDURES REPORT

FOR THE YEAR ENDED JUNE 30, 2019



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
New Beginnings Schools Foundation
And the Louisiana Legislative Auditor
New Orleans, Louisiana

We have performed the procedures enumerated below, which were agreed to by New Beginnings Schools Foundation (the Foundation) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Foundation is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The required procedures and associated results are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Disaster Recovery/Business Continuity***, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: The Foundation does not have written policies and procedures around Disaster Recovery/Business Continuity.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Results: One (1) of the twelve (12) monthly board meetings were not held. Five (5) of the twelve (12) monthly finance committee meetings were not held.

- b) Observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

Results: Five (5) of the twelve (12) monthly board meetings did not reference financial activity. Four (4) of the twelve (12) monthly finance committee did not reference financial activity.

Collections (excluding EFTs)

3. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select five (5) deposit sites (or all deposit sites if less than five (5)).

Results: No exceptions were found as a result of applying the procedure.

4. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. five (5) collection locations for five (5) deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at the collection location, and observe that job duties are properly segregated for the collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Results: No exceptions were found as a result of applying the above procedure.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Results: No exceptions were found as a result of applying the above procedure.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Results: No exceptions were found as a result of applying the above procedure.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: No exceptions were found as a result of applying the above procedure.

- 5. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: No exceptions were found as a result of applying the above procedure.

- 6. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select four (4) additional accounts (or all accounts if less than five (5)). Randomly select two (2) deposit dates for each of the five (5) bank accounts selected (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the ten (10) deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Results: No exceptions were found as a result of applying the above procedure.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Results: No exceptions were found as a result of applying the above procedure.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Results: No exceptions were found as a result of applying the above procedure.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than ten (10) miles from the collection location or the deposit is less than \$100).

Results: Seven (7) of the eight (8) deposits were not made within one day of the date of receipt at the collection locations.

- e) Trace the actual deposit per the bank statement to the general ledger.

Results: Six (6) of the eight (8) deposits could not be traced to the general ledger.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 7. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select five (5) locations (or all locations if less than five (5)).

Results: No exceptions were found as a result of applying the above procedure.

- 8. For each location selected under #7 above, obtain a listing of those employees involved with non-payroll processing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Results: No exceptions were found as a result of applying the above procedure.

- b) At least two employees are involved in processing and approving payments to vendors.

Results: No exceptions were found as a result of applying the above procedure.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Results: No exceptions were found as a result of applying the above procedure.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: No exceptions were found as a result of applying the above procedure.

- 9. For each location selected under #7 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select five (5) disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

Results: No exceptions were found as a result of applying the above procedure.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #8, as applicable.

Results: No exceptions were found as a result of applying the above procedure.

Credit Cards/Debit Cards/Fuel Card/P-Cards

10. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: No exceptions were found as a result of applying the procedure.

11. Using the listing prepared by management, randomly select five (5) cards (or all cards if less than five) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

Results: No exceptions were found as a result of applying the procedure.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: No exceptions were found as a result of applying the procedure.

12. Using the monthly statements or combined statements selected under #11 above, excluding fuel cards, randomly select ten (10) transactions (or all transactions if less than ten (10)) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have ten (10) transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: Eleven (11) of the twenty (20) transactions tested could not be supported by an original itemized receipt that identified precisely what was purchased.

Payroll and Personnel

13. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five (5) employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: No exceptions were found as a result of applying the procedure.

14. Randomly select one pay period during the fiscal period. For the five (5) employees/official selected under #13 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Results: No exceptions were found as a result of applying the above procedure.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Results: There were no attendance records approved by a supervisor for the pay period selected.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Results: No exceptions were found as a result of applying the above procedure.

15. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Results: No exceptions were found as a result of applying the procedure.

16. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: No exceptions were found as a result of applying the procedure.

We were not engaged to perform, and did not perform, an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of procedures performed on those C/C areas identified in the SAUPs, and the result of the procedures performed, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Carri Riggs & Ingram, L.L.C.

December 30, 2019



NBSF NOLA

NEW BEGINNINGS SCHOOLS FOUNDATION

December 30, 2019

Louisiana Legislative Auditor
1600 North 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

And

Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, LA 70005

RE: Management's Response to Statewide Agreed-Upon Procedures
New Beginnings Schools Foundation

Dear Sirs:

New Beginnings Schools Foundation will review policies and procedures in regard to the comments for each financial function and make appropriate changes that will improve operations and internal controls in each area that are cost effective and within our budget constraints.

Sincerely,

Kevin George
Chief Executive Officer